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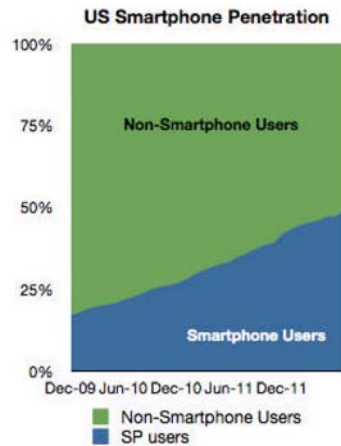
SEP 6, '12 9:32 PM **Positioning Lumia**

AUTHOR **Horace Dediu**
 CATEGORIES **Market**

The US has reached 50% smartphone penetration.

comScore data shows July penetration at 48.8% and a monthly growth in penetration of nearly 2 percentage points. Given the rate of growth, it's nearly certain that we've crossed 50% in August.

The historic growth is shown below:



The platforms making up the smartphone market in the US have seen unequal shares of this new population of users. The following diagrams show how the install bases have changed in absolute and share terms.

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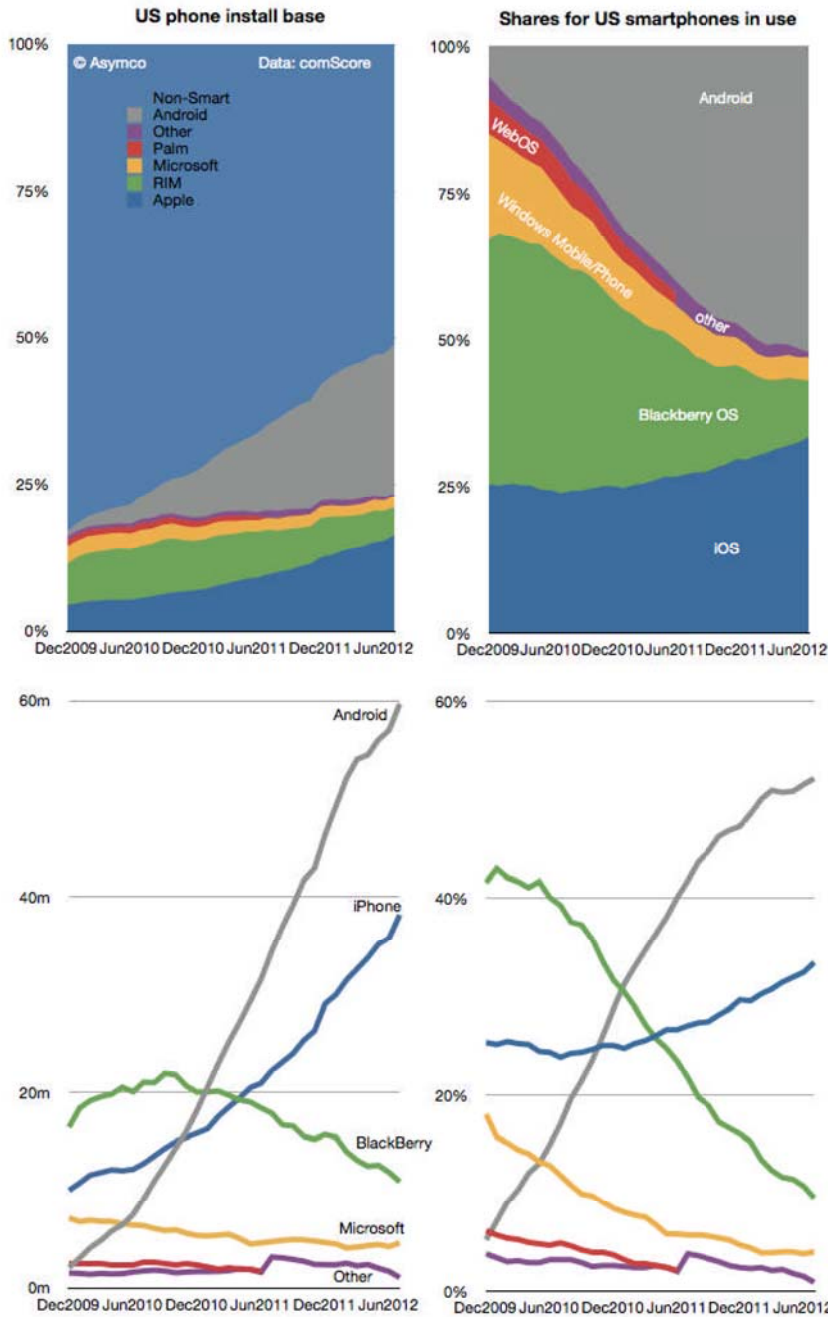
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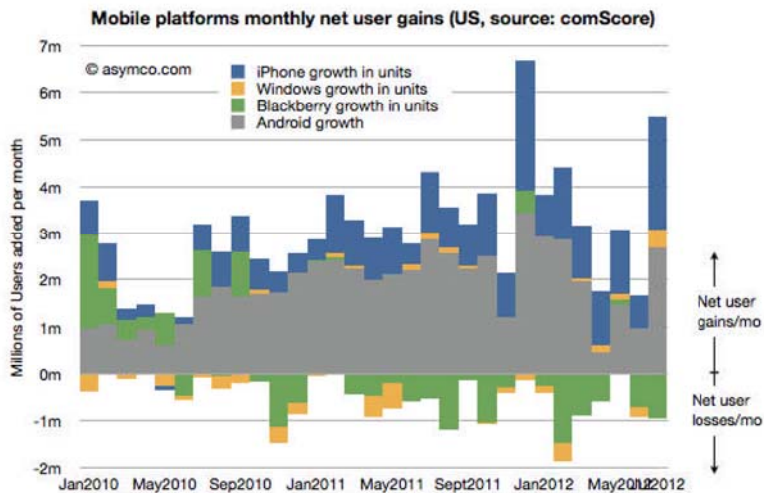
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To round out the analysis, here is the net user gains for the platforms showing the net addition or loss of users since early 2010.

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What I look for in this data are signs of slowing adoption (so far there aren't many), subtle shifts in platform performance (as seen in RIM's move from consistent net gains to consistent net losses) and signs of churn or the transfer of users from one platform to another (rather than from non-consumers to consumers.)

The story in the latest data seems to be that Windows Phone has turned in a first significant gain in users (378k new users). Its share seems to have stabilized at around 4%. This is in contrast to BlackBerry whose hemorrhage continues (a net of 7 million users defected from the platform in the last 12 months.)

On this occasion of reaching what I've called the tipping point, it's worth reflecting on just how far we've come. In December 2009 the total number of smartphone users in the US was 39 million whereas now it's about 115 million. That's a total of 75 million new users in a bit more than two and a half years, quite a story there.

And yet, half of the phone users still remain to be converted. It's possible that the growth in adoption will remain steady but it's also possible that it might slow down and follow the "**S-curve**" adoption rate that new consumer products typically follow, perhaps reaching saturation at some point below 100%.

If growth slows immediately then there will be more churn between platforms. If rapid growth can be maintained then there will be more competition with non-consumption rather than between rivals for some time still.

The changing character of competition will need to be reflected in product strategies. Non-consumption is typically an easier competitor to beat with features. Switching users from a comparable product is harder and may require pricing pressure. To solve this in a time of transition, new products will have to split into a set offered to new users and another set offered to switch users.

You can see the pressure of this on the Windows Phone platform most of all. As a late comer, does the Lumia range from Nokia fit the bill as targeting non-consumers or switchers?

In other words, has the brand been positioned as a "better" smartphone or as a "good enough" smartphone? It matters because the "good enough" position has been held by Android overall while the "better" position has been held by iPhone. However, not exclusively. We've seen "better" positioning from Samsung's Galaxy S and Verizon's Droid brand and "good enough" positioning from the older variants of iPhones.

So it's quite difficult to see where Lumia fits in the US. There is no obvious opening. The next 75 million first time US smartphone users may be attractive

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to Microsoft and Nokia but it's not clear why, having waited so long, those buyers will be persuaded by the new brand. Perhaps subsidies will help. As indicated with the first US Lumia launch, the product was priced at a discount to the prevailing price point for a premium smartphone. Perhaps that's the "good enough at a good price" strategy.





If so, it has not been a home run. Perhaps there is still time for this strategy to play out in 2013 but what if Lumia is not actually being marketed this way?

At launch Nokia has tried to promote the brand as something "better". Better camera, better charging, better maps, better screen, etc. They have promoted on Twitter with the #switchtolumia hashtag. Microsoft has had the "Smoked by Windows Phone" campaign targeting specifically existing smartphones.

I don't want to suggest that one positioning is more appropriate or more likely to succeed than another. That's a tough call. Either could be the right choice. What I would suggest however is that there needs to be clarity of thought and communication on the matter.

Perhaps the launch of the new Lumias (920, 820) is part of a clear positioning toward the high end. But the absence of pricing and distribution and how the operators will be engaged leaves the question open. The strongest criticism of the effort so far is this lack of clarity about how the product is intended to be perceived by the buyer.

A lack of clarity in positioning is symptomatic of a lack of clarity, or maturity in strategy.

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**Mark Donovan** · a month ago

Great analysis and love your visualizations of our comScore data. Note that our public press releases are based on 3mo average sample--our single month samples indicate that we tripped past 50% smartphone penetration in the US in July.

4 / ⓘ · Reply · Share ›

**christian del rosso** · a month ago

Good post Horace. If this is a battle of ecosystems, should we discuss the positioning of the Windows ecosystem versus the other ecosystems? The Lumia is within that context. With this approach, the discussion is what the Microsoft ecosystem should have and do to gain traction, targeting non-users or attracting users from the other ecosystems.

Nokia has launched some very nice devices recently. Is Nokia to blame for the lack of traction (so far) or the ecosystem is positioned in?

4 / ⓘ · Reply · Share ›



Walt French · a month ago · parent

Excellent point. Nokia chose Microsoft's ecosystem, and by recognizing that they're important, is obliged to flesh it out enough to make it robust.

Take maps, for a fine example of an important feature that Nokia can bring to the ecosystem. Will other WP8 devices get Nokia maps, or will they be a mix'n'match feature of Amazon & others? (Answer: the latter.) Will Microsoft demonstrate how much better WP8 phones are because they have Nokia mapping, turn-by-turn, etc.? (Answer: I doubt it. Can anybody contradict me?)

I'd guess consumers have maybe two dozen categories such as maps, where they depend on brand awareness to substitute for detailed knowledge of the platform's expertise. Yes, a half dozen for any given customer.

And to answer your ultimate question: yes, they claim to know what matters (ecosystems), and have not fixed the deficiencies that Microsoft has left, which will result in the failure of Nokia unless they fix it.

5 / ; * · Reply · Share ›



Sam Spade · a month ago · parent

The problem with Microsoft and to a lesser extent Norkia is that they have killed the earlier adopters and promoters twice, Windows 6.5 OK fucked, a subset moved to windows 7-7.5 OK fucked. Now who is left to promote Windows 8?

Vista failed and was abandoned by Microsoft, Windows 8 looks life a clusterfuck waiting to happen (it dosent look bad on phones which happens to be one of the places where MS doesn't make money). Who is going to care enough to promote it and more importantly who will want to buy it?

1 / ; 1 * · Reply · Share ›



kaelef · a month ago

Churn should be less common with smartphones than it was with feature phones. The reasons for switching to a different platform have to be pretty strong given the high investment in 3rd party apps many people will have.

3 / ; * · Reply · Share ›



Tatil S · a month ago · parent

The app investment on Android side is relatively low in terms of financials. I think familiarity with the user interface would be a bigger impediment for switching from Android to WP.

5 / ; * · Reply · Share ›



Canucker · a month ago · parent

Android lock-in is very unsticky (Teflon-esque) compared to iOS. Even there, though, the average amount of investment in a particular ecosystem content is relatively low (compared with a switch from Windows to Mac for example). Also, people seem to place a lower overall value on app investments as they, individually, cost small amounts. Hence, a collection can be built incrementally and not all bought apps are replaced a second time. Smartphone

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churn rates may increase as the markets become saturated but there are definitely usage barriers as well as service barriers (BBS, iMessage, FaceTime, etc). Apple, Google and Microsoft are all trying to increase their system-selective services with this in mind.

7 / ; * · Reply · Share ›



Steve · a month ago · parent

Interesting... So If switching costs due to app ecosystem favors Android to iOS over the reverse, and assuming switching costs between iOS and Android based on UI differences is a wash, Android's "copying" of iOS' UI may have inadvertently kept the switching "potential" in Apple's favor.

Sure there are other switching costs that come into play, and the magnitude of those costs would be important in the overall cost to switch, but copying served to grease the skids for those switching away from say, Samsung.

3 / ; 1 * · Reply · Share ›



James Scariati · a month ago · parent

Definitely. I'm on an iPhone and have close to 90 apps installed. If I can't find replacements or equivalents to at least the important apps – the ones I use every day – then I'm not going to be interested in switching to an Android or Windows phone, even if the phone itself is a decent product.

2 / ; * · Reply · Share ›



dbkahn · a month ago · parent

And while apps are the big sell for Apple, the cloud services for Google are starting to become very well integrated. I use Calendar, two gmail accounts, instant upload (to G+), and Drive (Docs) every day on my Jelly Bean phone and the links between the services are constantly improving. This is one of the reasons Wallet is so important for Google, since it is the commercial link for all of the pieces in the Android ecosystem.

3 / ; * · Reply · Share ›



Canucker · a month ago

How will the new Lumias stack up against Samsung's push into Windows Phone 8? Without a doubt, Samsung will push the Nokia-like "better" approach and will probably build on their Galaxy brand momentum. Nokia has to be price sensitive as they are running low on cash (a reason for a lack of tablet product?) whereas Samsung can undercut and go for long term share. Microsoft will put its support behind whomever is compelling and I doubt the "special relationship" with Nokia will trump marketplace results.

Meanwhile, Apple seems thus far largely unaffected and in my opinion the Windows Phone 8 introductions so far have lacked anything spectacular or compelling. Microsoft is counting on their brand identity - assuming that people with Windows PCs will simply want to be consistent (and perhaps taking a page from Apples Mac sales being buoyed by iPhone sales). To achieve this, they've even bastardized Windows 8 to be somewhat harmonized (in appearance) with Win Phone 8. Might be a double blunder.

3 / ; 1 * · Reply · Share ›



Walt French · a month ago · parent

All this and more: Microsoft seems to think that consumers buy phones based on the checklist mentality that drives Enterprise sales.

And a weird checklist, at that; one that doesn't include compatibility/support with friends' existing devices; reputation for upgrades; reputation for smartphone innovations; many more.

Ballmer predicted 400 MM devices using some flavor of Windows 8, trying hard to suggest that it's basically the same OS. However much the similarity of Microsoft's code base, the "use cases" are utterly different between a desktop PC and a smartphone.

Horace suggests that there might be an argument for a new platform in the current smartphone battles, but whereas Microsoft may be very clever in their cost management from sharing OSes, it is shooting itself in the foot (or knee, or groin) by the bastardization you note.

I think "double blunder" is too kind: give one each to the desktop, tablet and phone marketplaces.

6 / 1 * · Reply · Share ›



tigason · a month ago

the whole announcement, without shipping date and pricing, smells like a rush job trying to blunt Moto, and Apple announcement. It does not seem like they have quite work through their strategy just yet. or perhaps they just don't have any confidence in their products. They are adopting the "throw a dart and see where it lands" strategy. Either way, it does not bode well for management or for the future of the company.

2 / 1 * · Reply · Share ›



akcme · a month ago · parent

I think September 5 date was chosen by Nokia well ahead of time. Apple announced it maybe two weeks ago and Moto was a disaster just like Samsung. Samsung was like, I lost case against Apple so buy my Windows Phone.

0 / 1 * · Reply · Share ›



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